

Supplement

Measuring the cost of Basic Needs of Maine Households

2002

Update to the 1999 Basic Needs Budget

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In 1999, the Maine Center for Economic Policy (MCEP) funded research to establish the level of income necessary to meet the basic needs of a family of three in Maine. The results were carefully reviewed and compared to data from other studies and to economic indicators created by the federal government and other agencies. The evaluation concluded that the basic needs budget developed by MCEP was as accurate as could be expected based on the data available. In the absence of detailed data annual updates measuring changes in the cost of meeting basic needs cannot produce reliable information. A cursory examination of several key indicators has been conducted each year in conjunction with the annual report card on poverty update.

Poverty Income Ratio:

The 185% and/or 200% of the poverty income guideline is commonly used as one guide to the amount of income a household requires to meet basic needs. The federal poverty guideline is established annually by the federal government for households by size. Annual changes reflect change in the consumer price index nationally.

Federal Poverty Guideline, 2003				
Family				
<u>Size</u>	<u>100%</u>	<u>185%</u>	<u>200%</u>	
1	8,980	16,613	17,960	
2	12,120	22,422	24,240	
3	15,260	28,231	30,520	
4	18,400	34,040	36,800	
5	21,540	39,849	43,080	
6	24,680	45,658	49,360	
7	27,820	51,467	55,640	
8	30,960	57,276	61,920	
For each additional member:				
Add:	3,140	5,809	6,280	
SOURCE: published annually in the Federal Register				

Since overall inflation has been relatively low over the past several years, the federal poverty income level has risen slowly. Since 1999 the federal poverty line has increased 9.9%, or by \$1380. At 200% of the poverty line, the increase is \$2760.

Consumer Expenditure Survey (CES), 2001

The US Department of Labor, Bureau of Labor Statistics, conducts an annual consumer expenditure survey. This data provides a profile of consumer expenditures for the nation and by region. State level data are not provided because the sample is not of sufficient size to measure expenditure patterns below broad multi-state regions. To aid in reducing sampling error, in recent years the results from the previous 2 years have been averaged.

<u>Table 8. Region of residence: Average annual expenditures</u>				
<u>Consumer Expenditure Survey.</u> (US Bur. of Labor Statistics)				
<u>Item</u>		<u>Northeast</u>		
		<u>1997-98</u>	<u>2000-01</u>	<u>Pct Chg.</u>
	<u>Average annual expenditures</u>	<u>\$36,548</u>	<u>\$40,074</u>	<u>9.6</u>
1	Food	5,124	5,535	8.0
	Food at home	2,943	3,299	12.1
	Food away from home	2,181	2,236	2.5
	Alcoholic beverages	374	388	3.7
2	Housing	12,861	13,972	8.6
	Shelter	7,789	8,582	10.2
	Utilities, fuels, and public services	2,470	2,702	9.4
	Household operations	482	711	47.5
	Housekeeping supplies	432	524	21.3
	Household furnishings and equipment	1,688	1,453	-13.9
3	Apparel and services	1,828	2,094	14.6
4	Transportation	6,186	6,928	12.0
	Vehicle purchases (net outlay)	2,426	2,925	20.6
	Gasoline and motor oil	938	1,090	16.2
	Other vehicle expenses	2,219	2,326	4.8
	Public transportation	603	587	-2.7
5	Health care & health insurance	1,741	1,973	13.3
6	Entertainment	1,736	1,885	8.6
7	Personal care products and services	386	529	37.0
8	Miscellaneous	854	861	0.8
9	Cash contributions	826	1,079	30.6
10	Personal insurance and pensions	3,362	3,571	6.2
	Life and other personal insurance	415	414	-0.2
	Pensions and Social Security	2,947	3,157	7.1

Changes in prices as measured by the Consumer Price Index (CPI)

The Consumer Price Index is another measure from the US Department of Labor, Bureau of Labor Statistics. It measures month-to-month and year to year changes in the price of a wide range of consumer products.

The CIP is used by the federal government to make annual adjustments to the federal poverty threshold and poverty guideline. The CPI compares changes in cost of various consumer items. For instance, although overall inflation is very low, the rapid escalation of energy costs is of special importance in Maine. As a rural and cold climate state, households will pay more to heat their homes and for gasoline to get to work, and thus the cost of the basic needs of a family in Maine will grow faster than the cost of basic needs in an urban southern environment.

<u>Consumer Price Index (CPI), 1999-2002</u>					
<u>Northeast Region</u>					
Year	1999	2000	2001	2002	Pct chg
All Items	173.5	179.4	184.4	188.2	8.5
Food & Beverages	167.3	170.4	175.5	178.6	6.8
food at home	167.1	169.8	175.2	177.1	6.0
Housing*	175.2	181.6	188.7	194.4	11.0
owner costs	215.7	221.6	230.5	243.6	12.9
electricity	132.4	133.9	138.7	132.4	0.0
Transportation	145.9	154.2	154.4	153	4.9
new/used vehicles	99.7	100.1	100.2	98.7	-1.0
regular gasoline	95.5	126.4	120.1	112.1	17.4
Medical Care	264.2	275.4	289.4	304.4	15.2
Medical supplies	240.9	252.2	262.7	270.4	12.2
Medical services	268.8	280	294.8	311.9	16.0
Apparel	129.3	128.3	125.1	122.9	-4.9
Recreation	103.8	105.5	106.8	107.6	3.7
Educ & Communication	100.6	102.1	105.5	108.2	7.6
All other	264.6	281	292.9	308.4	16.6

Crude estimates of increase:

Based on these three measures, takes \$1,500 to \$2,000 more today to meet the basic needs of a family of 3 than in 1999

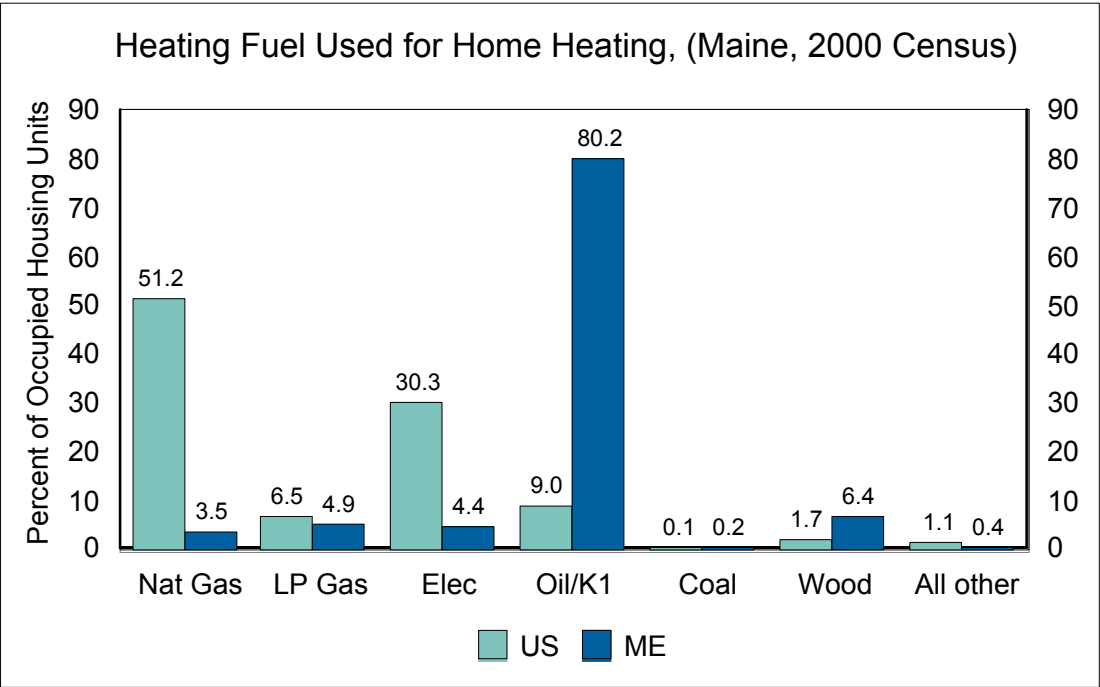
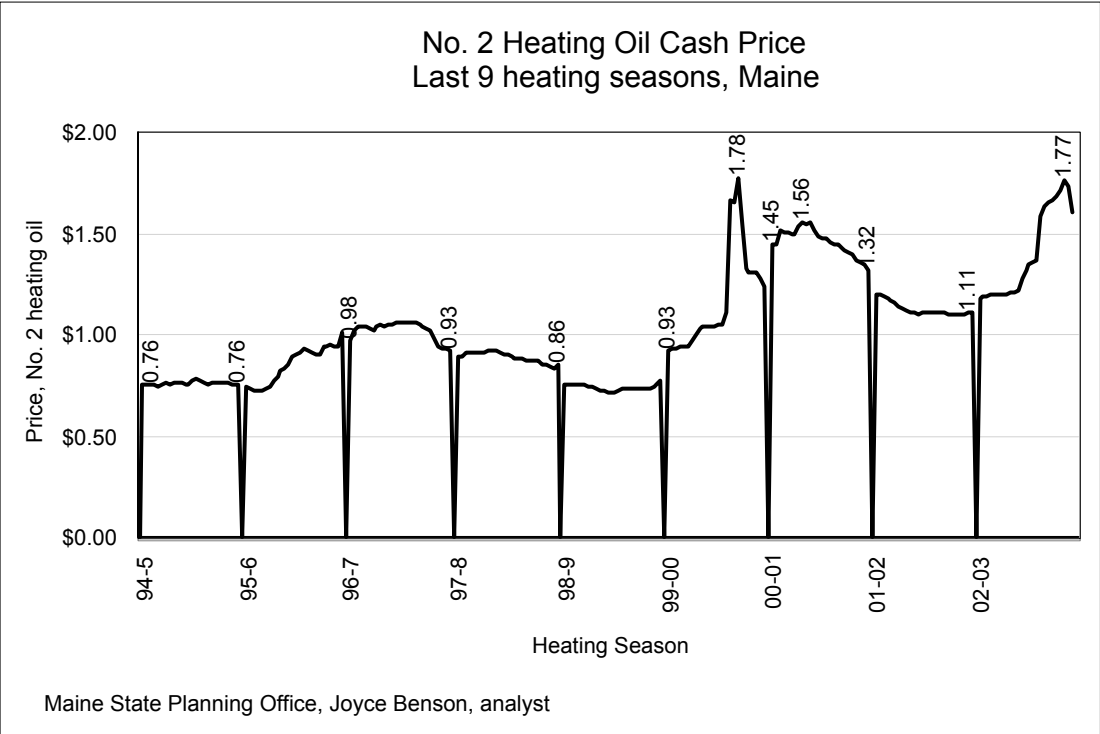
Estimated Change in Basic Needs Budget 1999-2002 Based on Major Indicators		
<u>Measure:</u>	<u>Percent:</u>	Adjusted Basic Needs <u>Budget:</u>
Increase in CPI	0.085	32,974
Increase in Poverty Guideline	0.082	32,883
Increase in CES	0.0965	33,324
1999 Base = \$30,391.		

Additional Data for components in which costs in Maine may vary substantially from the national and northeast averages or show wide variation across Maine.

1. Energy

The burden of home heating costs in Maine is not reflected in national measures of household costs. Maine is highly dependent on oil for home heating. Over 80% of Maine homes are heated by oil, compared to only 9% nationally. The amount of fuel that is required to heat a home in Maine through the long cold winters is also greater.

The cost of home heating oil more than doubled in Maine, rising from an average of \$0.74 per gallon in the 1999-2000 heating season to \$1.70 this past winter. By comparison, the Consumer Expenditures Survey shows a growth of 9.3% in the combined cost of utilities, fuel and services (water, sewer). The CPI indicates that homeowner costs have risen by 12.9% since 1999, but their costs are based on electric heat, which had no increase at all.



Likewise, transportation costs are impacted more strongly in Maine by rising oil prices. Maine is a rural state where distance is a factor in nearly every activity. Maine is a state where nearly every household has one or more vehicles, and where public transportation is virtually non-existent except in the most urban of locations. The CPI measures a growth in gasoline prices of 14% in 2002 over 1999. The CES shows an increase in spending on gasoline of 16%. In Maine, prices have fluctuated greatly, but are approximately 50% higher today than in 1999.

2. Rent and Housing Costs

The cost of renting, used by MCEP in the 1999 computations, has risen at very different rates across the State. The rapid rise in southern Maine is a reflection of the demand for real estate as an investment during a period of uncertainty in the stock market, and the accompanying rising value of real estate. The demand lessens further inland and to the north and east. The rise in market rents in the Portland MSA shows a threefold increase in housing costs reflected in the CES or measured by the CPI.

HUD Fair Market Rents Rents include Utility Costs (inc heat) exc. phone) Fair Market Rents for Existing Housing Sec. 8 renter assistance						
	Nov. 22, 1999		October 2002		Pct chg	since 1999
	2-Bedroom	3-Bedroom	2-Bedroom	3-Bedroom	2-Bedroom	3-Bedroom
Bangor MSA	\$547	\$715	588	769	7.50	7.55
Lewiston-Auburn MSA	\$499	\$625	537	672	7.62	7.52
Portland MSA	\$646	\$808	845	1058	30.80	30.94
Portsmouth-Kittery MSA	\$737	\$945	882	1132	19.67	19.79
Non-Metropolitan areas of:						
County:						
Androscoggin	\$527	\$658	571	714	8.35	8.51
Aroostook	\$483	\$615	524	666	8.49	8.29
Cumberland	\$638	\$868	692	940	8.46	8.29
Franklin	\$483	\$615	524	666	8.49	8.29
Hancock	\$525	\$661	569	717	8.38	8.47
Kennebec	\$501	\$629	543	683	8.38	8.59
Knox	\$537	\$716	582	777	8.38	8.52
Lincoln	\$529	\$735	573	797	8.32	8.44
Oxford	\$483	\$615	524	666	8.49	8.29
Penobscot	\$483	\$615	524	666	8.49	8.29
Piscataquis	\$483	\$615	524	666	8.49	8.29
Sagadahoc	\$638	\$849	692	921	8.46	8.48
Somerset	\$483	\$615	524	666	8.49	8.29
Waldo	\$483	\$615	524	666	8.49	8.29
Washington	\$483	\$615	524	666	8.49	8.29
York	\$608	\$761	659	824	8.39	8.28

Prepared pursuant to:

CHAPTER 62

H.P. 1258 - L.D. 1812

Resolve, to Require the Development of a Basic Needs Budget, 1999

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